



Hon. Robert T. Matsui

Member of Congress

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Robert T. Matsui

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TRUSTEES REPORT SHOWS CONTINUED STRENGTH OF SOCIAL SECURITY *Matsui calls infinite horizon calculations "hypocritical"*

WASHINGTON, D.C. – Congressman Robert T. Matsui (D-CA), Ranking Member on the Ways and Means Social Security Subcommittee, commented today on the Administration's release of the Social Security Trustees' annual report on the program's finances. Based on updated economic and demographic projections, the report states Social Security can pay full retirement, disability and survivors' benefits through 2042, and will still be able to pay 73% of benefits after that. These projections remain unchanged from last year.

"The Trustees' report holds good news for the Social Security system and the millions of Americans who rely on its benefits," Matsui said. "The 2004 forecast continues a 10-year trend of stability and improvement in the long-range financial health of Social Security. The fact that in four decades Social Security will not be able to pay full benefits is a challenge that needs to be addressed. But this report shows the Social Security system faces no imminent threat to its financial health."

However, for the second year in a row, the report uses a calculation called "infinite horizon" to project the financial stability of Social Security over an infinite period of time, making the system appear to be in worse financial condition than it is. "Infinite horizon" calculations are subject to extreme uncertainty, and fail to anticipate major economic and social shifts, such as were seen in the 20th Century with the baby boom, the entry of women into the labor force or the advent of computers.

The American Academy of Actuaries sent a letter in December 2003 to the Social Security Trustees warning, among other things, that such calculations "are likely to mislead" readers "into believing the program is in far worse financial condition than is actually indicated."

"All future projections are uncertain, and infinite projections are infinitely uncertain," Matsui continued. "It is hypocritical for the Administration to insist on using an 'infinite horizon' to project Social Security's stability when they refuse to project their own budget beyond just five years."

The Administration continues to call for privatizing Social Security, even though they admit in the *Economic Report of the President* that private accounts would cut benefits and explode the national debt. Their proposed system would cost trillions of dollars to finance and would hasten the date when Social Security will no longer be able to pay full benefits by more than two decades.

"The true threat to Social Security is those who advocate private accounts without acknowledging the tradeoffs involved. Privatization makes the financial challenges facing Social Security worse and requires steep cuts in benefits. Those who suggest that privatization solves the problem are misleading the American public."